HAWKSMOOR
INVESTMENT MANAGEMENT

AIM PORTFOLIO SERVICE

INVESTORS' REPORT – 31st March 2022

A lot has happened in the last three months. The world, and Europe in particular, feels to have fundamentally changed. The invasion of Ukraine by Russia, killing thousands and displacing millions, is abhorrent. The human suffering it has wrought is incalculable.

For markets, the economic consequence of the war is its impact on energy prices as the rest of Europe belatedly attempts to wean itself off Russian gas. There are further challenges to key supply chains and commodity prices, notably agricultural products and car parts. Energy markets and supply chains were already under considerable strain: in the past six weeks that situation has significantly worsened. Yet as we digest reports of brutal Russian war crimes against civilians, it makes for uncomfortable reading that the EU funds billions of the Kremlin's income buying its energy. That just feels wrong; energy markets will remain vulnerable.

Investment markets hate uncertainty, and share prices fell significantly in the first quarter, though partially recovered in recent weeks. Since the turn of the year our portfolios are down –10.5%, which is slightly better than our benchmark. For the past 12 months our portfolios have delivered a total return of +8.3%, against a wider market that is down –6.7% *(see overleaf)*.

Importantly, though, these more recent falls are the result of macro, not company-specific, events. In fact, news from our businesses has remained overwhelmingly positive. **NWF Group**—a distributor of heating oil in the UK—in just the past month has twice significantly raised this year's profit guidance. We have also had better-than-expected results from **Alliance Pharma**, **Calnex**, **Next Fifteen Communication**, **Restore**, and others. Supply chain frustrations make daily operations unhelpfully challenging, but most companies are so far managing well. We invest in businesses that have pricing power, robust supply chains and healthy Balance Sheets. Those characteristics feel particularly important in 2022.

The AIM market peaked back in early September last year. Since then, share prices have fallen substantially. Yet underlying progress and profit growth rates remains good—in some cases very good. As a result, we are finding far better value than we have for some time. In short, there are some wonderful businesses on AIM trading well below their intrinsic worth. This quarter we took profits on **Vertu Motors**—a share which doubled in value last year—and reinvested the proceeds into **AB Dynamics**—a shares which has halved. We introduce it in this quarter's Company Focus, below.

Company Focus | AB Dynamics

In each of our quarterly briefings we present one of the companies in which we invest *(not necessarily held by all clients)* to provide examples of the kind of opportunities that one can find amongst quality smaller companies that trade on AIM.

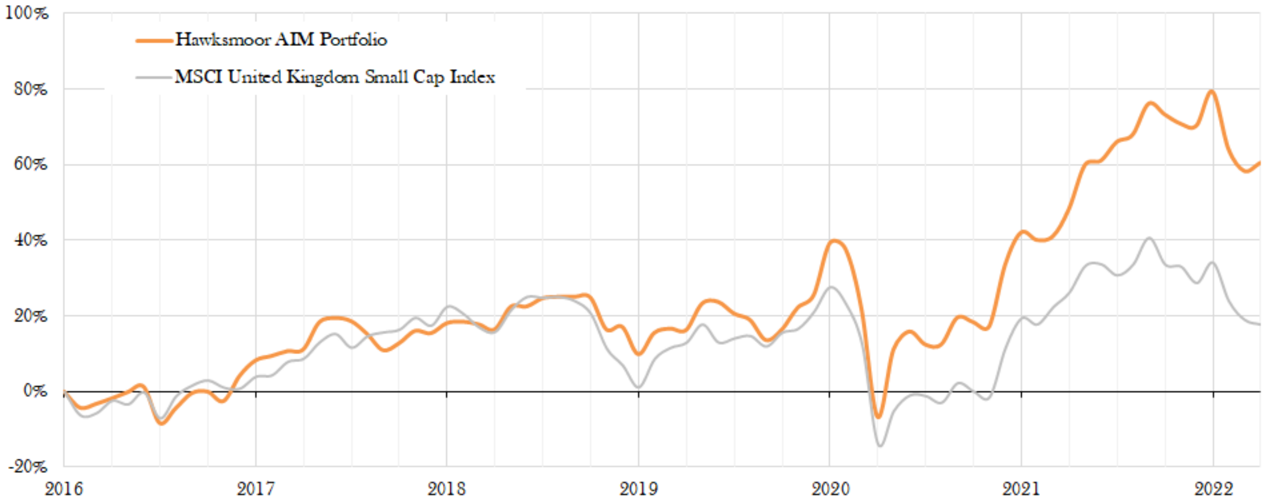
AB Dynamics, based in Bradford-on-Avon in Wiltshire, is a leading player in the global automotive test and measurement sector. It designs and manufactures advanced robotics that control vehicles for various road tests used both in regulatory safety requirements and as an essential part of the development process for increasingly advanced driver assistance systems – such as those used in braking, steering, and parking.

AB Dynamics dominates this robotics niche with a c.70% market share. Barriers to entry are very high because of the rich intellectual property required, but also because the regulators and certification bodies use its equipment.

We see a favourable market outlook with strong levels of underlying growth in the core testing market. There is additional upside from its newer venture, ABD Solutions, in which the company is applying its technology to automate operations in mining, defence, agriculture and materials handling.

Performance of an illustrative Hawksmoor AIM Portfolio

Our AIM Portfolio Service invests in exceptional UK smaller companies for long-term capital growth. It can also be used for inheritance tax planning since we endeavour to ensure that every investment will qualify for *Business Property Relief* once held for at least two years. It is a virtue of Hawksmoor's size that we are not restricted to only the largest, most popular of AIM companies, where valuations can become artificially elevated by tax relief demand. Rather, our proprietary investment process combines a disciplined screening process with rigorous fundamental analysis designed to identify value and quality.



Discrete Annual Performance	2016	2017	2018	2019	2020	2021	2022 Q1
Hawksmoor AIM Portfolio [1]	**+8.2%**	**+9.2%**	**-7.0%**	**+26.8%**	**+2.0%**	**+26.3%**	-10.5%
MSCI United Kingdom Small Cap [2]	+3.9%	+17.8%	-17.4%	+26.1%	-6.4%	+12.3%	-12.2%

Cumulative Performance	1 month	3 months	6 months	1 year	3 years	5 years
Hawksmoor AIM Portfolio [1]	1.4%	-10.5%	-7.4%	8.3%	38.1%	44.5%
MSCI United Kingdom Small Cap [2]	-1.0%	-12.2%	-11.9%	-6.7%	4.2%	8.3%

Ian Woolley, CFA
Head of AIM Services

Jim Wood-Smith
Chief Investment Officer

George Salmon
Senior Investment Analyst

Ben Luck
Investment Analyst

Jonathan Rigley
Investment Manager

[1] *Methodology and source:* Hawksmoor Research, as at the date of this report. Performance is quoted on a total return basis, net of a 1.5%+VAT Annual Management Charge and based on a portfolio of 25 equally weighted stocks typical of those bought for clients within the Hawksmoor AIM Portfolio Service. Actual market prices paid may have been materially different than that illustrated, and thus the returns of an actual portfolio may have differed over the period. Past performance is not a guide to future performance.

[2] *Source:* MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof) and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI or any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. **No further distribution or dissemination of the MSCI data is permitted** without MSCI's express written consent.